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UNCLAS PRETORIA 003905

SIPDIS

DEPT FOR AF/S; AF/EPS; EB/TPP/MTA/IPC SWILSON
USDOC FOR 4510/ITA/IEP/ANESA/OA/JDIEMOND
COMMERCE ALSO FOR HVINEYARD
TREASURY FOR BRESNICK
DEPT PASS USTR FOR PCOLEMAN

E.O. 12958: N/A

TAGS: ETRD SF AGOA USTR

SUBJECT: MOTOR SALES REMAINED FIRM IN JULY

¶11. Summary. Domestic demand for automobiles in South Africa grew by 15% year-on-year from July 2003 to July 2004. July sales of 26,631 units represented a 23-year high. Strong consumer confidence is driving the current high sales environment. The stronger rand is also increasing demand for U.S. goods as U.S. exports of the broad category of motor vehicles to South Africa increased 8.6% in the first half of 2004 compared to the same period in 2003. End summary.

¶12. The National Association of Automobiles South Africa announced that total motor vehicle sales in July grew by 15% y/y compared to July 2003. In the first seven months of 2004, total sales were 19% stronger compared with the same period last year. They expect a phenomenal year in local sales under the current circumstances of a competitive car market and robust consumer confidence.

¶13. July sales of new passenger cars reached a 23-year high as sales rose to 26,631 units from 25,902 units in the previous month and compared with 22,986 units in the same period last year. Strong consumer confidence is driving the current high sales environment. Consumers, who have benefited from a number of tax cuts by government over the last few years, now have the disposable income to invest in durable items. The 5.5 percentage point cut in interest rates, attractive incentives and new product offerings heavily supports this consumer boom.

¶14. The sale of commercial vehicles rose by 25.8% over the first seven months of 2004. The buoyancy in the commercial market reflects the rise in business activity, particularly fixed investment activity, as well as positive business sentiment.

¶15. Economists expect motor vehicle sales to remain strong in the remainder of 2004 as low interest rates and good personal income growth stimulate demand. However, year-on-year comparisons should be more modest in the months ahead because of the high base established in the second half of 2003.

¶16. According to the United States International Trade Commission statistics, total U.S. exports motor vehicles (Chapter 87 of the HTS) to South Africa grew by 8.6%, from \$176.9 million to \$192.2 million in the first half of 2004. From January to June 2004, 5,627 units were exported compared to 5,373 in the same period the previous year.

¶17. The stronger rand has been good for U.S. auto exports but has hurt SA auto exports to the United States. U.S. automobile imports from South Africa decreased from \$353.8 million to \$321.9 million in the first half of 2004 compared to 2003. Of this total, imports of passenger vehicles declined from \$281 million to \$228 million. U.S. imports of motor vehicles for the transport of goods, however, increased from \$19.7 million to \$35.6 million, as did imports of SA auto parts, from \$42 million to \$49 million.

FRAZER